

# MARKETBEAT OFFICE SNAPSHOT



## EDMONTON, ALBERTA

A Cushman & Wakefield Research Publication

Q2 2014



### ECONOMIC OVERVIEW

Alberta's real GDP is forecasted to increase by 3.5% in 2014, the highest provincial growth rate. Most private sector forecasters expect the province to continue to lead the country in economic growth over the long term. Mining and oil and gas had the highest labour productivity in Alberta, \$246.10 (real GDP per hour worked), followed by information services (\$131.30), and real estate (\$123.50). 71,200 positions were added in Alberta over the past twelve months, which accounted for 83% of national job creation. Alberta had the highest employment growth, 3.2%, in May 2014, while the unemployment rate (4.6%) was the second lowest among the provinces. The inflation rate rose 2.7% in April 2014, due to an increase in shelter and transportation. 30.9% growth in energy products lifted a 26.2% increase in Alberta's goods exports.

This year's employment numbers continued a well-established pattern of growth in the Edmonton metropolitan area. Edmonton saw modest job growth in May 2014, with 1,500 new positions added, resulting in a net gain of almost 40,000 new positions over last twelve months. Lower prices for natural gas and food helped to slow the rate of inflation in Edmonton. CPI went down from an annual rate of 3.3% in March 2014 to 2.3% in April 2014.

### EDMONTON OFFICE ACTIVITY

Edmonton experienced a slight increase in overall vacancy citywide, to 10.2% in Q2 2014 from 9.9% in Q1 2014.

Vacancy in the Financial Core increased to 11.4%, up from 10.8% in Q1 2014. Combined with 3.4% vacancy in the Government Core, this yielded an increase for the Central Area, to 8.4% from 8.1%.

The Suburbs also experienced an increase in vacancy to 13.0% from 12.6%. This was mainly driven by class A buildings, in which vacancy increased two full percentage points, along with absorption of negative 63,602 square feet (sf); this is in contrast to the positive 179,015 sf of absorption recorded in first quarter of 2014. Some of the more notable contributors to this quarter's negative absorption were the 124<sup>th</sup> Street, West End, and Southside markets. The increase in West End was caused by over 40,000 sf of sublet space being brought to market.

Sublease vacancy across the city increased by 54,308 sf, and now represents 10.5% of the total citywide vacancy, versus 8.8% last quarter.

Gross rents continued to increase this quarter, and currently average \$34.43 per square foot (psf) citywide. Gross rents in the Suburban Area average \$30.01 psf, while Central Area rents currently average \$39.87 psf.

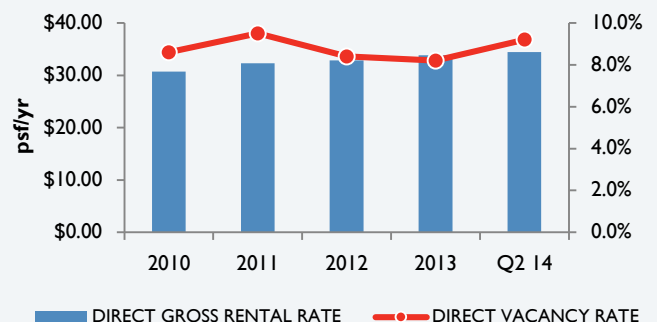
### OUTLOOK

The vacancy rate for this quarter is the highest since Q1 2012. New construction in both the Downtown and Suburban markets will continue to impact vacancy rates, and continued downward pressure on rental rates is anticipated.

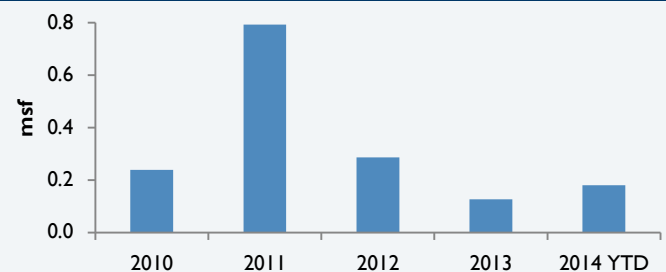
### STATS ON THE GO

	Q2 2013	Q2 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	9.7%	10.2%	0.5pp	▲
Direct Asking Rents (psf/yr)	\$19.60	\$20.32	3.7%	▲
YTD Absorption (sf)	(99,990)	(116,572)	-16,582 sf	▼

### DIRECT RENTAL VS. VACANCY RATES



### NEW SUPPLY



# EDMONTON, ALBERTA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	CURRENT QUARTER ABSORPTION	YTD OVERALL ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Downtown	9,790,019	11.4%	10.0%	550,000	0	(50,365)	(221,757)	\$41.65	\$47.55
Government	5,859,905	3.4%	2.9%	554,000	0	5,400	16,776	\$31.85	\$32.71
<b>CENTRAL DISTRICT</b>	<b>15,649,924</b>	<b>8.4%</b>	<b>7.4%</b>	<b>1,104,000</b>	<b>0</b>	<b>(44,965)</b>	<b>(204,981)</b>	<b>\$39.87</b>	<b>\$45.92</b>
124 <sup>th</sup> Street	1,595,866	17.6%	16.4%	0	0	(9,443)	(81,655)	\$32.11	\$33.56
149 <sup>th</sup> Street	1,165,190	14.8%	14.8%	0	0	3,485	182	\$27.21	\$34.08
West End	1,828,365	15.0%	12.6%	91,000	50,000	(36,657)	51,700	\$28.00	\$33.06
Kingsway	655,120	7.9%	4.4%	0	0	23,990	(1,739)	\$29.76	\$36.43
Whyte Avenue	514,168	7.2%	7.0%	53,000	0	(870)	5,773	\$31.42	\$36.07
Southside	2,742,416	10.6%	9.8%	207,000	0	(16,803)	13,628	\$31.29	\$33.00
Summerside	626,662	11.8%	9.8%	70,000	40,000	13,897	16,362	\$36.16	\$35.52
Eastgate	1,261,305	13.5%	13.5%	0	90,000	3,181	84,158	\$24.75	\$33.25
<b>SUBURBAN DISTRICT</b>	<b>10,389,092</b>	<b>13.0%</b>	<b>11.9%</b>	<b>204,000</b>	<b>180,000</b>	<b>(10,220)</b>	<b>88,409</b>	<b>\$30.01</b>	<b>\$33.93</b>
<b>TOTALS</b>	<b>26,039,016</b>	<b>10.2%</b>	<b>9.2%</b>	<b>1,308,000</b>	<b>180,000</b>	<b>(55,185)</b>	<b>(116,572)</b>	<b>\$34.43</b>	<b>\$40.45</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

## MARKET HIGHLIGHTS

SIGNIFICANT Q2 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Manulife Place	Downtown	Colliers	A	18,000
9888 Jasper Avenue	Downtown	ASET	A	10,000
Oxford Tower	Downtown	DDB Canada	A	6,500
Portage Close	Sherwood Park	Rally Engineering	B	11,000
SIGNIFICANT Q2 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
1453 – 91 Street	Summerside	Park Paving	\$5,400,000/\$382.00	14,150
SIGNIFICANT Q2 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Village at Blackmud Creek	Summerside	Fountain Tire	Q2 2014	40,000
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Kelly Ramsey	Downtown	TBD	Q2 2016	550,000
City of Edmonton Building	Downtown	City of Edmonton	Q3 2016	554,000
Commerce South Office Park	Southside	Worley Parsons	Q3 2014	87,000
Ellwood Corner	Summerside	TBD	Q3 2014	70,000
South Boulevard Shops	Southside	Brookfield	Q3 2014	60,000
Currents of Windermere	Southside	MIC	Q3 2014	60,000
University Professional Centre	Whyte Avenue	Various Medical Uses	Q3 2014	53,000
184 Street Building	West End	Computronix	Q3 2014	50,000
Westlink Corner	West End	TBD	Q3 2014	41,000

\* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS